

Green-certified homes sell for 9% more, study in California finds

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WASHINGTON — It has been a controversial question in the home real estate market for years: Is there extra green when you buy green? Do houses with lots of energy-saving and sustainability features sell for more than houses without them? If so, by how much?

Some studies have shown that consumers' willingness to pay more for Energy Star and other green-rated homes tends to diminish during tough economic times. Others have found that green-certified houses sell for at least a modest premium over similar but less-efficient homes.

A new study involving an unusually large sample of homes sold in California between 2007 and early 2012 has documented that, holding all other variables constant, a green certification label on a house adds an average 9% to its selling value. Researchers also found something they dubbed the Prius effect: Buyers in areas where consumer sentiment in support of environmental conservation is relatively high — as measured by the percentage of hybrid auto registrations in local ZIP Codes — are more willing to pay premiums for green-certified houses than buyers in areas where hybrid registrations were lower.

The study found no significant correlations between local utility rates and consumers' willingness to pay premium prices for green-labeled homes. But it did find that in warmer parts of California, especially in the Central Valley compared with neighborhoods closer to the coast, buyers are willing to pay more for the capitalized cost savings on energy that come with a green-rated property.

The research was conducted by professors Matthew E. Kahn of UCLA and Nils Kok of Maastricht University in the Netherlands, who was a visiting scholar at UC Berkeley. Out of the 1.6-million-home-transaction sample, Kahn and Kok identified 4,321 dwellings that sold with Energy Star, LEED or GreenPoint Rated labels. They then ran statistical analyses to determine how much green labeling contributed to the selling price — eliminating all other factors contained in the real estate records, such as locational effects, school districts, crime rates, time period of sale, swimming pools and views.

Energy Star is a rating system jointly sponsored by the U.S. Department of Energy and the Environmental Protection Agency that is widely used in new home construction. It rewards designs that sharply reduce operational costs in heating, cooling and water use, and improve indoor air quality.

The LEED certification was created by the private nonprofit U.S. Green Building Council and focuses on "sustainable building and development practices."

The GreenPoint Rated designation was created by a nonprofit group called Build It Green, is similar to LEED and can be used on newly constructed as well as existing homes.

The 9% average price premium from green-rated homes is roughly in line with studies conducted in Europe, where energy-efficiency labeling on houses is far more commonplace. Homes rated "A" under the European Union's system commanded a 10% average premium in one study, while dwellings with poor ratings sold for substantial discounts.

Labeling in the United States is a politically sensitive real estate issue. The National Assn. of Realtors has lobbied Congress and federal agencies to thwart adoption of any form of mandatory labeling of existing houses, arguing that an abrupt move to adopt such a system could have severely negative effects. A loss of value at resale because of labeling would be disastrous, the Realtors have argued, particularly coming out of a housing downturn in which owners across the country have lost trillions of dollars of equity since 2006.